

TOWNSHIP OF HEATH
Allegan County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Heath	County Allegan
Fiscal Year End June 30, 2008	Opinion Date August 18, 2008	Date Audit Report Submitted to State August 22, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Zip 48707			
Authorizing CPA Signature 	Printed Name Mark J. Campbell	License Number 1101007803	

TOWNSHIP OF HEATH
Allegan County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

August 18, 2008

To the Township Board
Township of Heath
Allegan County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Heath, Allegan County, Michigan as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Heath's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Heath, Allegan County, Michigan as of June 30, 2008, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF HEATH
Allegan County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2008

This section of the Heath Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended June 30, 2008. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net Assets at June 30, 2008, totaled \$2,690,730.67. Of this total, \$1,043,265.32 represents capital assets net of depreciation.

Overall, revenues were \$1,025,527.08.

We did not incur any new debt during the year.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. These include the General Fund and the Cemetery Fund.

TOWNSHIP OF HEATH
Allegan County, Michigan

CONDENSED FINANCIAL INFORMATION

For the year ended June 30, 2008

	<u>Total</u> Governmental Activities 2007	<u>Total</u> Governmental Activities 2008
Current Assets	1 588 996	1 772 857
Capital Assets	<u>1 042 818</u>	<u>1 043 265</u>
Total Assets	<u>2 631 814</u>	<u>2 816 122</u>
Current Liabilities	<u>-</u>	<u>125 391</u>
Total Liabilities	<u>-</u>	<u>125 391</u>
Net Assets:		
Invested in Capital Assets	1 042 818	1 043 266
Reserved	39 560	42 003
Unrestricted	<u>1 549 436</u>	<u>1 605 462</u>
Total Net Assets	<u>2 631 814</u>	<u>2 690 731</u>

	<u>Total</u> Governmental Activities 2007	<u>Total</u> Governmental Activities 2008
Program Revenues:		
Fees and Charges for Services	181 632	170 826
General Revenues:		
Property Taxes	506 104	550 809
Other Taxes	11 699	8 528
State Revenue Sharing	216 437	216 119
Interest	67 190	68 792
Miscellaneous	<u>253</u>	<u>10 453</u>
Total Revenues	<u>983 315</u>	<u>1 025 527</u>
Program Expenses:		
Legislative	72 994	117 019
General Government	121 851	146 803
Public Safety	78 201	112 958
Public Works	201 371	494 474
Recreation and Culture	76 537	88 684
Other	<u>6 072</u>	<u>6 672</u>
Total Expenses	<u>557 026</u>	<u>966 610</u>
Increase in Net Assets	426 289	58 917
Net Assets, July 1	<u>2 205 525</u>	<u>2 631 814</u>
Net Assets, June 30	<u>2 631 814</u>	<u>2 690 731</u>

TOWNSHIP OF HEATH
Allegan County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund and the Cemetery Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets: The Township's net assets increased by \$58,916.54 during the year ended June 30, 2008, totaling \$2,690,730.67.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are highways and streets which incurred expenses of \$494,473.99.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township of Heath acquired \$13,154.82 of capital assets during the fiscal year ended June 30, 2008.

The Township of Heath had no long-term debt activity during the fiscal year ended June 30, 2008.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Township plan for the future includes replacing existing equipment as it wears out.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Township Supervisor, Clerk, or Treasurer by calling 269-751-2403 during the hours of 8:00 AM to 5:00 PM.

TOWNSHIP OF HEATH
Allegan County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	1 735 437 27
Accounts receivable	<u>37 419 33</u>
Total Current Assets	<u>1 772 856 60</u>
NON-CURRENT ASSETS:	
Capital Assets	1 235 828 82
Less: Accumulated Depreciation	<u>(192 563 50)</u>
Total Non-current Assets	<u>1 043 265 32</u>
TOTAL ASSETS	<u><u>2 816 121 92</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>125 391 25</u>
Total Current Liabilities	<u>125 391 25</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	1 043 265 32
Reserved	42 003 08
Unrestricted	<u>1 605 462 27</u>
Total Net Assets	<u>2 690 730 67</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>2 816 121 92</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HEATH
Allegan County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended June 30, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	117 019 31	-	(117 019 31)
General government	146 803 28	47 748 45	(99 054 83)
Public safety	112 958 18	42 730 98	(70 227 20)
Public works	494 473 99	3 600 00	(490 873 99)
Culture and recreation	88 683 85	76 746 00	(11 937 85)
Other	6 671 93	-	(6 671 93)
Total Governmental Activities	<u>966 610 54</u>	<u>170 825 43</u>	<u>(795 785 11)</u>
General Revenues:			
Property taxes			550 808 77
Other taxes			8 528 40
State revenue sharing			216 119 33
Interest			68 792 00
Miscellaneous			<u>10 453 15</u>
Total General Revenues			<u>854 701 65</u>
Change in net assets			58 916 54
Net assets, beginning of year			<u>2 631 814 13</u>
Net Assets, End of Year			<u>2 690 730 67</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HEATH
Allegan County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2008

	<u>General</u>	<u>Other Funds (Cemetery)</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	1 687 502 14	42 003 08	1 729 505 22
Accounts receivable	37 419 33	-	37 419 33
Due from other funds	5 932 05	-	5 932 05
	<u>1 730 853 52</u>	<u>42 003 08</u>	<u>1 772 856 60</u>
Total Assets			
	<u>1 730 853 52</u>	<u>42 003 08</u>	<u>1 772 856 60</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	125 391 25	-	125 391 25
Total liabilities	<u>125 391 25</u>	<u>-</u>	<u>125 391 25</u>
Fund equity:			
Fund balances:			
Reserved	-	42 003 08	42 003 08
Unreserved:			
Undesignated	1 605 462 27	-	1 605 462 27
Total fund equity	<u>1 605 462 27</u>	<u>42 003 08</u>	<u>1 647 465 35</u>
Total Liabilities and Fund Equity	<u>1 730 853 52</u>	<u>42 003 08</u>	<u>1 772 856 60</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HEATH
Allegan County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

June 30, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 1 647 465 35

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	1 235 828 82
Accumulated depreciation	<u>(192 563 50)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 2 690 730 67

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HEATH
Allegan County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended June 30, 2008

	<u>General</u>	<u>Other Funds (Cemetery)</u>	<u>Total</u>
Revenues:			
Property taxes	550 808 77	-	550 808 77
Other taxes	8 528 40	-	8 528 40
Licenses and permits	42 730 98	-	42 730 98
State revenue sharing	216 119 33	-	216 119 33
Charges for services:			
Property tax administration	40 448 45	-	40 448 45
Cemetery	6 300 00	1 000 00	7 300 00
Recreation	76 746 00	-	76 746 00
Interest	67 349 11	1 442 89	68 792 00
Special assessments	3 600 00	-	3 600 00
Miscellaneous	10 453 15	-	10 453 15
Total revenues	<u>1 023 084 19</u>	<u>2 442 89</u>	<u>1 025 527 08</u>
Expenditures:			
Legislative:			
Township Board	117 019 31	-	117 019 31
General government:			
Supervisor	16 370 84	-	16 370 84
Elections	2 108 64	-	2 108 64
Assessor	9 060 84	-	9 060 84
Clerk	15 991 77	-	15 991 77
Board of Review	1 081 00	-	1 081 00
Treasurer	17 093 40	-	17 093 40
Building and grounds	66 807 59	-	66 807 59
Cemetery	7 254 20	-	7 254 20
Public safety:			
Fire protection	106 010 02	-	106 010 02
Planning Commission	6 488 16	-	6 488 16
Public works:			
Highways and streets	494 473 99	-	494 473 99
Culture and recreation:			
Parks and recreation	87 471 35	-	87 471 35
Other:			
Payroll taxes	6 671 93	-	6 671 93
Capital outlay	13 154 82	-	13 154 82
Total expenditures	<u>967 057 86</u>	<u>-</u>	<u>967 057 86</u>
Excess of revenues over expenditures	56 026 33	2 442 89	58 469 22
Fund balance, July 1	<u>1 549 435 94</u>	<u>39 560 19</u>	<u>1 588 996 13</u>
Fund Balance, June 30	<u><u>1 605 462 27</u></u>	<u><u>42 003 08</u></u>	<u><u>1 647 465 35</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HEATH
Allegan County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 58 469 22

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(12 707 50)
Capital Outlay	<u>13 154 82</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 58 916 54

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HEATH
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Heath, Allegan County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Heath. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF HEATH
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Agency Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Permanent Fund

The Cemetery Perpetual Care Fund is reserved for cemetery care.

Joint Venture

The Township is a member of the Hamilton Fire Department. The Township appoints two members to the joint venture's governing board, which then approves the annual budget. Financial information of the joint venture may be obtained from the Fire Department in Hamilton, Michigan.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on August 17 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2007 tax roll millage rate was 5.3604 mills, and the taxable value was \$102,863,906.00.

TOWNSHIP OF HEATH
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	30-50 years
Furniture and equipment	5-30 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF HEATH
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1 735 437 27</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	200 000 00
Uninsured and Uncollateralized	<u>1 536 147 62</u>
Total Deposits	<u>1 736 147 62</u>

The Township of Heath did not have any investments as of June 30, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

TOWNSHIP OF HEATH
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 3 – Deposits and Investments (continued)

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 7/1/07	Additions	Deletions	Balance 6/30/08
Land	611 500 00	13 154 82	-	624 654 82
Buildings	546 018 00	-	-	546 018 00
Equipment	65 156 00	-	-	65 156 00
Total	1 222 674 00	13 154 82	-	1 235 828 82
Accumulated Depreciation	(179 856 00)	(12 707 50)	-	(192 563 50)
Net Capital Assets	<u>1 042 818 00</u>	<u>447 32</u>	<u>-</u>	<u>1 043 265 32</u>

Note 5 – Pension Plan

During the fiscal year ended June 30, 2008, the Township began a defined contribution pension plan covering all elected officials. The Township contributes fifteen percent of each participating employee's wages to the plan. During the year ended June 30, 2008, the Township's pension contribution was \$19,053.34, which covers the past five years of the participating employee's wages.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of June 30, 2008, the Township had building permit revenues of \$27,056.00 and building permit expenses of \$32,098.78.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>5 932 05</u>	Current Tax Collection	<u>5 932 05</u>

TOWNSHIP OF HEATH
Allegan County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	514 000 00	514 000 00	550 808 77	36 808 77
Other taxes	8 600 00	8 600 00	8 528 40	(71 60)
Licenses and permits	30 950 00	30 950 00	42 730 98	11 780 98
State revenue sharing	215 000 00	215 000 00	216 119 33	1 119 33
Charges for services:				
Property tax administration	31 000 00	41 000 00	40 448 45	(551 55)
Cemetery lot sales	3 250 00	6 300 00	6 300 00	-
Recreation	70 000 00	77 000 00	76 746 00	(254 00)
Interest	45 200 00	61 900 00	67 349 11	5 449 11
Special assessments	2 500 00	3 100 00	3 600 00	500 00
Miscellaneous	25 500 00	26 575 00	10 453 15	(16 121 85)
Total revenues	946 000 00	984 425 00	1 023 084 19	38 659 19
Expenditures:				
Legislative:				
Township Board	87 680 00	133 490 00	117 019 31	(16 470 69)
General government:				
Supervisor	16 687 00	17 087 50	16 370 84	(716 66)
Elections	5 900 00	5 900 00	2 108 64	(3 791 36)
Assessor	9 700 00	9 700 00	9 060 84	(639 16)
Clerk	16 345 00	16 345 00	15 991 77	(353 23)
Board of Review	1 200 00	1 200 00	1 081 00	(119 00)
Treasurer	18 425 00	18 425 00	17 093 40	(1 331 60)
Building and grounds	56 350 00	67 000 00	66 807 59	(192 41)
Cemetery	13 900 00	13 900 00	7 254 20	(6 645 80)
Public safety:				
Fire protection	75 000 00	107 000 00	106 010 02	(989 98)
Planning Commission	10 750 00	10 750 00	6 488 16	(4 261 84)
Public works:				
Highways and streets	613 300 00	595 900 00	494 473 99	(101 426 01)
Culture and recreation:				
Parks and recreation	120 620 00	121 835 00	87 471 35	(34 363 65)
Other:				
Payroll taxes	22 200 00	22 200 00	6 671 93	(15 528 07)
Capital outlay	-	14 000 00	13 154 82	(845 18)
Total expenditures	1 068 057 00	1 154 732 50	967 057 86	(187 674 64)
Excess (deficiency) of revenues over expenditures	(122 057 50)	(170 307 50)	56 026 33	226 333 83
Fund balance, July 1	122 057 50	170 307 50	1 549 435 94	1 379 128 44
Fund Balance, June 30	-	-	1 605 462 27	1 605 462 27

TOWNSHIP OF HEATH
Allegan County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2008

Township Board:	
Salaries	11 062 25
Supplies	3 881 26
Legal fees	19 157 96
Printing and publishing	3 930 13
Insurance	17 329 00
Audit	2 800 00
Contracted services	32 098 78
Memberships and dues	2 235 28
Pension	19 053 34
Miscellaneous	5 471 31
	<u>117 019 31</u>
Supervisor:	
Salary	15 887 52
Transportation	244 28
Miscellaneous	239 04
	<u>16 370 84</u>
Elections:	
Wages	1 413 00
Printing and publishing	239 11
Miscellaneous	145 00
Supplies	311 53
	<u>2 108 64</u>
Assessor:	
Salary	8 574 96
Miscellaneous	485 88
	<u>9 060 84</u>
Clerk:	
Salary	15 375 00
Miscellaneous	616 77
	<u>15 991 77</u>
Board of Review:	
Salaries	900 00
Printing and publishing	181 00
	<u>1 081 00</u>
Treasurer:	
Salary	15 375 00
Miscellaneous	1 718 40
	<u>17 093 40</u>
Building and grounds:	
Supplies	57 53
Telephone	1 138 81
Utilities	1 991 05
Repairs and maintenance	49 174 01
Miscellaneous	770 25
Contracted services	13 675 94
	<u>66 807 59</u>

TOWNSHIP OF HEATH
Allegan County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2008

Cemetery:	
Salaries	2 479 00
Supplies	7 78
Repairs and maintenance	4 058 50
Miscellaneous	<u>708 92</u>
	<u>7 254 20</u>
Fire protection:	
Contracted services	<u>106 010 02</u>
Planning Commission:	
Salaries	3 150 00
Printing and publishing	2 463 16
Miscellaneous	<u>875 00</u>
	<u>6 488 16</u>
Highways and streets:	
Utilities	16 174 74
Repairs and maintenance	<u>478 299 25</u>
	<u>494 473 99</u>
Parks and recreation:	
Salaries	23 415 05
Supplies	43 578 79
Utilities	1 591 66
Repairs and maintenance	6 008 47
Contracted services	1 354 75
Miscellaneous	<u>11 522 63</u>
	<u>87 471 35</u>
Payroll taxes	<u>6 671 93</u>
Capital outlay	<u>13 154 82</u>
Total Expenditures	<u><u>967 057 86</u></u>

TOWNSHIP OF HEATH
Allegan County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended June 30, 2008

	<u>Balance</u> <u>7/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/08</u>
<u>Assets</u>				
Cash in Bank	<u>295 90</u>	<u>3 452 712 09</u>	<u>3 447 075 94</u>	<u>5 932 05</u>
<u>Liabilities</u>				
Due to other funds	295 90	559 235 05	553 598 90	5 932 05
Due to others	<u>-</u>	<u>2 893 477 04</u>	<u>2 893 477 04</u>	<u>-</u>
Total Liabilities	<u>295 90</u>	<u>3 452 712 09</u>	<u>3 447 075 94</u>	<u>5 932 05</u>

CAMPBELL, KUSTERER & CO., P.C.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

August 18, 2008

To the Township Board
Township of Heath
Allegan County, Michigan

We have audited the financial statements of the Township of Heath for the year ended June 30, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Heath in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Heath
Allegan County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated June 30, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants